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**FISCAL IMPACT STATEMENT**

**LS 7459**

**BILL NUMBER:** HB 1626

**NOTE PREPARED:** Feb 25, 2009

**BILL AMENDED:** Feb 23, 2009

**SUBJECT:** Municipality Insurance.

**FIRST AUTHOR:** Rep. Fry

**FIRST SPONSOR:** Sen. Paul

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill allows four or more municipalities to form a domestic mutual insurance company to insure risks related to municipalities.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** (Revised) The bill provides that four or more Indiana municipalities, represented by at least seven incorporators, may form a corporation as a domestic mutual company for purposes of making insurance (other than reciprocal, farm mutual, fraternal, and assessment insurance) available to Indiana municipalities. If the Department of Insurance (DOI) commissioner determines that the domestic mutual company may be hazardous to the policyholders or the general public, the commissioner may issue an order requiring the insurer to increase the insurer's capital and surplus based on the type, volume, and nature of the business transacted.

Because the DOI already reviews and issues certificates of authority to insurance companies, providing that one or more municipalities may form a domestic mutual insurance company should not result in a significant impact to the DOI.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) Four or more municipalities may form a domestic mutual insurance company to insure risks related to municipalities. Presumably, municipalities would not form a domestic mutual insurance company unless it is likely that forming the company would reduce or contain costs for the municipalities.

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:** Municipalities.

**Information Sources:** Carol Cutter, 232-5695, DOI.

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